

§ 201.5

12 CFR Ch. II (1–1–09 Edition)

auction conducted under this paragraph and at the rate specified in § 201.51(e) if, in the judgment of the Reserve Bank, the depository institution is in generally sound financial condition and is expected to remain in that condition during the term of the advance. An auction under this paragraph shall be conducted subject to such conditions, including conditions regarding the participants, size and duration of the facility, minimum bid amount, maximum bid amount, term of advance, minimum bid rate, use of proceeds, and schedule of auction dates, as the Board may establish from time to time in connection with the term auction facility. The Board may appoint one or more Reserve Banks or others to conduct the auction.

(2) Authorization for the term auction facility established by § 201.4(e)(1) shall expire on such date as set by the Board.

[Reg. A, 67 FR 67786, Nov. 7, 2002, as amended at 72 FR 71203, Dec. 17, 2007]

§ 201.5 Limitations on availability and assessments.

(a) *Lending to undercapitalized insured depository institutions.* A Federal Reserve Bank may make or have outstanding advances to or discounts for a depository institution that it knows to be an undercapitalized insured depository institution, only:

(1) If, in any 120-day period, advances or discounts from any Federal Reserve Bank to that depository institution are not outstanding for more than 60 days during which the institution is an undercapitalized insured depository institution; or

(2) During the 60 calendar days after the receipt of a written certification from the chairman of the Board of Governors or the head of the appropriate federal banking agency that the borrowing depository institution is viable; or

(3) After consultation with the Board of Governors. In unusual circumstances, when prior consultation with the Board is not possible, a Federal Reserve Bank should consult with the Board as soon as possible after extending credit that requires consultation under this paragraph (a)(3).

(b) *Lending to critically undercapitalized insured depository institutions.* A Federal Reserve Bank may make or have outstanding advances to or discounts for a depository institution that it knows to be a critically undercapitalized insured depository institution only:

(1) During the 5-day period beginning on the date the institution became a critically undercapitalized insured depository institution; or

(2) After consultation with the Board of Governors. In unusual circumstances, when prior consultation with the Board is not possible, a Federal Reserve Bank should consult with the Board as soon as possible after extending credit that requires consultation under this paragraph (b)(2).

(c) *Assessments.* The Board of Governors will assess the Federal Reserve Banks for any amount that the Board pays to the FDIC due to any excess loss in accordance with section 10B(b) of the Federal Reserve Act. Each Federal Reserve Bank shall be assessed that portion of the amount that the Board of Governors pays to the FDIC that is attributable to an extension of credit by that Federal Reserve Bank, up to 1 percent of its capital as reported at the beginning of the calendar year in which the assessment is made. The Board of Governors will assess all of the Federal Reserve Banks for the remainder of the amount it pays to the FDIC in the ratio that the capital of each Federal Reserve Bank bears to the total capital of all Federal Reserve Banks at the beginning of the calendar year in which the assessment is made, provided, however, that if any assessment exceeds 50 percent of the total capital and surplus of all Federal Reserve Banks, whether to distribute the excess over such 50 percent shall be made at the discretion of the Board of Governors.

[Reg. A, 67 FR 67787, Nov. 7, 2002]

§ 201.51 Interest rates applicable to credit extended by a Federal Reserve Bank.¹

(a) *Primary credit.* The interest rates for primary credit provided to depository institutions under § 201.4(a) are:

¹The primary, secondary, and seasonal credit rates described in this section apply to

Federal Reserve System

§ 201.104

Federal Reserve Bank	Rate	Effective
Boston	0.50	December 17, 2008.
New York	0.50	December 16, 2008.
Philadelphia	0.50	December 18, 2008.
Cleveland	0.50	December 16, 2008.
Richmond	0.50	December 16, 2008.
Atlanta	0.50	December 16, 2008.
Chicago	0.50	December 16, 2008.
St. Louis	0.50	December 17, 2008.
Minneapolis	0.50	December 16, 2008.
Kansas City	0.50	December 16, 2008.
Dallas	0.50	December 17, 2008.
San Francisco	0.50	December 16, 2008.

(b) *Secondary credit.* The interest rates for secondary credit provided to depository institutions under 201.4(b) are:

Federal Reserve Bank	Rate	Effective
Boston	1.00	December 17, 2008.
New York	1.00	December 16, 2008.
Philadelphia	1.00	December 18, 2008.
Cleveland	1.00	December 16, 2008.
Richmond	1.00	December 16, 2008.
Atlanta	1.00	December 16, 2008.
Chicago	1.00	December 16, 2008.
St. Louis	1.00	December 17, 2008.
Minneapolis	1.00	December 16, 2008.
Kansas City	1.00	December 16, 2008.
Dallas	1.00	December 17, 2008.
San Francisco	1.00	December 16, 2008.

(c) *Seasonal credit.* The rate for seasonal credit extended to depository institutions under §201.4(c) is a flexible rate that takes into account rates on market sources of funds.

(d) *Primary credit rate in a financial emergency.* (1) The primary credit rate at a Federal Reserve Bank is the target federal funds rate of the Federal Open Market Committee if:

(i) In a financial emergency the Reserve Bank has established the primary credit rate at that rate; and

(ii) The Chairman of the Board of Governors (or, in the Chairman's absence, his authorized designee) certifies that a quorum of the Board is not available to act on the Reserve Bank's rate establishment.

(2) For purposes of this paragraph (d), a financial emergency is a significant disruption to the U.S. money markets resulting from an act of war, military or terrorist attack, natural disaster, or other catastrophic event.

(e) *Term auction facility.* The interest rate on advances to depository institu-

both advances and discounts made under the primary, secondary, and seasonal credit programs, respectively.

tions made pursuant to an auction under §201.4(e) is the rate at which all bids at that auction may be fulfilled, up to the maximum auction amount and subject to any minimum bid rate and other conditions as set by the Board.

[Reg. A, 67 FR 67787, Nov. 7, 2002, as amended at 68 FR 41054, July 10, 2003; 72 FR 48549, Aug. 24, 2007; 72 FR 54814, Sept. 27, 2007; 72 FR 56890, Oct. 5, 2007; 72 FR 63097, Nov. 8, 2007; 72 FR 71203, Dec. 17, 2007; 72 FR 71756, Dec. 19, 2007; 73 FR 5729, Jan. 31, 2008; 73 FR 7202, Feb. 7, 2008; 73 FR 15862, Mar. 26, 2008; 73 FR 25505, May 7, 2008; 73 FR 61657, Oct. 17, 2008; 73 FR 65976, Nov. 6, 2008; 73 FR 79307, Dec. 29, 2008]

INTERPRETATIONS

§ 201.104 Eligibility of consumer loans and finance company paper.

(a) The Board of Governors has clarified and modified its position with respect to the eligibility of consumer loans and finance company paper for discount with and as collateral for advances by the reserve banks.

(b) Section 13, paragraph 2, of the Federal Reserve Act authorizes a Federal Reserve Bank, under certain conditions, to discount for member banks

* * * notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes, the Board of Governors of the Federal Reserve System to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this Act.

(c) It continues to be the opinion of the Board that borrowing for the purpose of purchasing goods is borrowing for a commercial purpose, whether the borrower intends to use the goods himself or to resell them. Hence, loans made to enable consumers to purchase automobiles or other goods should be included under commercial, agricultural, and industrial paper within the meaning of the Federal Reserve Act, and as such are eligible for discounting with the Reserve Banks and as security for advances from the Reserve Banks under section 13, paragraph 8, of the Federal Reserve Act as long as they conform to requirements with respect to maturity and other matters. This